

# HOLMEN

# PRESS RELEASE

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## Holmen

### Strengthens its position as a supplier of high-bright paper products

On Friday, the Holmen Board decided to invest MSEK 1,850 in the Hallsta Paper Mill, Sweden. Most of the funds will be invested replacing a 35 year-old paper machine with a new, modern unit for continued production of improved quality, high-bright paper, known as MF Magazine Paper. The new machine will be Western Europe's largest within MF Magazine Paper and is intended to satisfy the higher customer requirements on the extremely expansive market for improved newsprint for specialist magazines, newspaper supplements and advertising material.

It is expected that this investment programme will be completed by April 2002 and that it will have a positive effect on earnings per share in 2003. The investment project will raise Hallsta's MF Magazine Paper annual production capacity by 115,000 tonnes to 440,000 tonnes.

Holmen's President and CEO Per Ericson comments on the investment decision:

"Our intention is to make Holmen one of the leading companies in MF Magazine Paper. This is a very promising growth area, where new products are being developed to satisfy new customer requirements. The investment therefore fits in well with our strategy of achieving organic growth in an area where we already have a strong niche position and very close customer relations.

"In Europe, the level of investment in new production capacity within wood-containing printing paper is low and is expected to remain so for the foreseeable future. We therefore believe that the new machine will operate at an extremely high level of capacity utilisation from the day it is commissioned. This investment will enable us to improve our profitability and thus create additional shareholder value."

A very high proportion of Europe's MF Magazine Paper capacity is located in the Nordic countries. The access to virgin fibre here gives high-brightness paper products a valuable competitive edge in relation to producers in Continental Europe, where production is largely based on recovered fibre.

The object of Friday's investment decision is to strengthen Holmen Paper's position as a supplier of MF Magazine Paper. Holmen Paper's President Göran Lundin sees this investment as an important step.

"For our customers, it will provide much improved printing quality and surface characteristics, which will further strengthen MF Magazine Paper's competitive edge in relation to other paper products in higher price brackets.

"We foresee market growth of five per cent a year for MF Magazine Paper. This is partly due to IT, in the form of higher advertising volumes as well as new magazines. IT appears to be a complement to paper and to have a positive effect on paper consumption in our product segment."

Holmen's strategy involves focusing on growth and development in newsprint and magazine paper, through the Holmen Paper business area, and on virgin fibre-based paperboard, through the Iggesund Paperboard business area.

Holmen shall grow organically by developing its existing businesses and via acquisition, as reflected in the purchase in July of Papelera Peninsular, in Spain.

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The Hallsta Paper Mill, which is located some miles north east of Stockholm, has approx. 1,000 employees. Earlier this year it obtained a permit, pursuant to the Environment Protection Act, to increase paper production to 880,000 tonnes per year.

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*For further comments, please contact Per Ericson, Holmen's President and CEO (tel +46 8 666 21 00), or Göran Lundin, President of Holmen Paper (tel +46 11 23 50 00).*